

Petronas Dagangan (PETD MK)

4Q25: Embracing Challenges With A Resilient Balance Sheet

Highlights

- **2025 core profit and generous dividend payout are in line with expectations.** 2026 will continue to see strong commercial fuel volume growth, especially for Aviation fuel and diesel amid the Visit Malaysia 2026 theme. Acceleration of EV adoption – which has not yet taken place – and policies such as carbon taxes may introduce new uncertainties on the product market, given that fuel stations nationwide commands 60% market share by distribution channel. This will be mitigated by PetDag's role as an early mover in collaborations with green mobility players, ongoing data analytics, and a strong balance sheet, to embrace industry changes while retaining strong dividend paying ability.
- Favourable tax refund may be a potential catalyst in 2026. Maintain HOLD and target price of RM23.20.

4Q25 Results

Year to 31 Dec	4Q25 (RMm)	qoq % chg	yoy % chg	Ytd 2025 (RMm)	yoy % chg	Comments
Revenue	10,578.5	11.0	17.6	38,269.3	0.8	4Q25 volume growth, yoy/qoq: +8%/0%
-Retail	5,986.8	21.1	23.1	20,482.6	1.3	4Q25/ 2025 volume growth, yoy: +4%/-4%
-Commercial	4,527.0	0.0	12.0	17,532.9	0.6	4Q25/ 2025 volume growth, +12%/+12%
-Convenience	64.7	6.7	(21.0)	253.8	(11.5)	Sales volume for 2025 grew by 2% yoy
EBIT	364.6	(5.7)	1.4	1,534.2	(0.9)	4Q25 EBITDA: RM420m (4Q24: RM422m)
-Retail	121.6	(31.7)	(44.2)	653.2	(20.6)	
-Commercial	228.4	30.7	89.0	759.2	24.1	
-Convenience	25.9	(11.2)	(23.5)	121.7	7.6	
Operating margin (%)	3.4	(0.6)	(0.6)	4.0	(0.1)	4Q25 exceptional items (EI):
Finance cost	(5.9)	86.1	(3.3)	(15.9)	21.6	- RM1.6m forex loss
Associates	1.3	(71.3)	(84.1)	12.7	(387.2)	- RM3.5m asset/ inventory/ debt write off
Pre-tax profit	361.4	(6.5)	(0.1)	1,531.0	0.0	- RM5.8m impairment loss on receivables
Income tax	(88.1)	(9.5)	(13.2)	(394.5)	(4.7)	4Q25 exceptional items (EI):
Net profit	258.9	(8.0)	3.9	1,099.2	1.2	- RM0.7m bad debts written off
Core profit	271.8	(3.6)	9.0	1,117.6	0.3	

Source: Petronas Dagangan, Bloomberg, UOB Kay Hian

Analysis

- **2025 core profit comprised 95%/100% of our/consensus forecasts.** Petronas Dagangan (PetDag) achieved a new record in fuel volumes with +2% volume growth largely attributed to strong aviation fuel and commercial diesel demand. Mogas (RON95) also saw higher sales after the launch of BUDI95 retargeting scheme. According to the government, 95% of Malaysians consume less than 180litres of RON95 per month, suggesting there is still upside to the 300-litre monthly limit. More importantly, its cash flow position greatly improved. It appears the subsidy receivables position fell substantially qoq from RM1b to under RM0.5b by 4Q25. Hence, PetDag has issued a total DPS of RM1.13, representing 100% payout and significantly above its 50% policy.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	37,597	38,269	38,740	40,746	43,415
EBITDA	1,888	1,846	2,031	2,094	2,179
Operating profit	1,548	1,534	1,507	1,544	1,603
Net profit (rep./act.)	1,087	1,099	1,108	1,131	1,220
Net profit (adj.)	1,114	1,118	1,108	1,131	1,219
EPS	112.1	112.5	111.5	113.9	122.7
PE	19.1	19.0	19.2	18.8	17.4
P/B	3.6	3.6	3.6	3.6	3.5
EV/EBITDA	10.4	9.3	9.5	9.4	9.1
Dividend yield	5.0	5.2	5.2	5.3	4.4
Net margin	2.9	2.9	2.9	2.8	2.8
Net debt/(cash) to equity	-	-	-	-	-
Interest cover	157.4	127.3	60.5	52.2	60.0
ROE	19.3	19.5	19.7	20.1	21.4
Consensus net profit	-	-	1,117	1,143	1,143
UOBKH/Consensus (x)	-	-	0.98	1.00	1.00

Source: Petronas Dagangan, Bloomberg, UOB Kay Hian

HOLD (Maintained)

Share Price	RM21.40
Target Price	RM23.20
Upside	+8.6%

Analyst(s)

Kong Ho Meng

homeng@uobkayhian.com
+(603) 2147 1987

Stock Data

GICS Sector	Energy
Bloomberg ticker	PETD MK
Shares issued (m)	993.5
Market cap (RMm)	21,260.0
Market cap (US\$m)	5,061.0
3-mth avg daily t'over (US\$m)	5.8

Price Performance (%)

52-week high/low				RM23.80/RM16.10
1mth	3mth	6mth	1yr	YTD
1.8	(3.1)	(6.1)	2.4	7.28

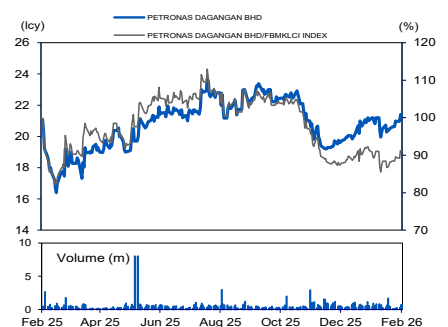
Major Shareholders

	%
Petroleum Nasional Bhd	63.9
Employees Provident Fund	16.0

Balance Sheet Metrics

FY26 NAV/Share (XX\$)	6.01
FY26 Net Debt/Share (XX\$)	NA

Price Chart



Source: Bloomberg

Company Description

The principal domestic marketing arm of Petronas for downstream products, in retail, commercial, liquefied petroleum gas (LPG) and lubricants.

- 2026: Retail stations demand to remain resilient...** The phased fuel subsidy retargeting (ie Jun 24: diesel retargeting; mid-2025: RON95 retargeting) did not put a dent on fuel consumption in general. According to Mordor Intelligence, Malaysia's refined products market may grow at a 5.4% six-year CAGR from US\$28.3m in 2026 to US\$36.7m in 2031. While Aviation fuel is expected to see the fastest growth (at CAGR of 7.5%), petrol remains the dominating fuel at a 47% mix. Peninsular comprised over 60% of Malaysia's product market. Visit Malaysia 2026 and the spillover tourism demand is expected to support transportation demand in the near term.
- Analytics study is crucial to maintain market leadership in the changing energy landscape.** According to Mordor, retail stations handled 60.5% of fuel sales in 2025 by distribution channels, despite facing margin compression from subsidy roll-backs, Innovative solutions such as Setel's mobile offering and QR payment features help enhance user stickiness, which contributed to 3-4% in lost margin recovery for participating fuel stations. For fleet operators, online and automated refuelling are favoured over loyalty points. For the commercial segment, bulk and direct contracts remain critical for airlines, shippers and utilities which negotiate formula-linked fuel.
- Potential catalyst: Favourable tax ruling.** The High Court delivered a decision in Nov 25 (with full grounds revealed on 30 Jan 26) which ruled in favour of PetDag's appeal against the Inland Revenue Board (IRB) to claim for capital allowance on petrol station canopies and halide lights as qualifying plant expenditure, when constructing a new station or during maintenance. The reasoning is that there is specialised equipment necessary for the petrol station to generate income.
- Although we await management's guidance on any reversal of excess tax paid, we opine it may be a material amount.** Firstly, the court's decision covered for PetDag's consolidated appeals since IRB enforced the refusal decision in 2018/2019. The court ruled all respective tax assessments to be amended, and excess taxes paid and penalties to be refunded. Relatedly, another favourable court ruling will see IRB refunding RM15.7m to Petronas Group for taxes overcharged for overseas-related expenses.

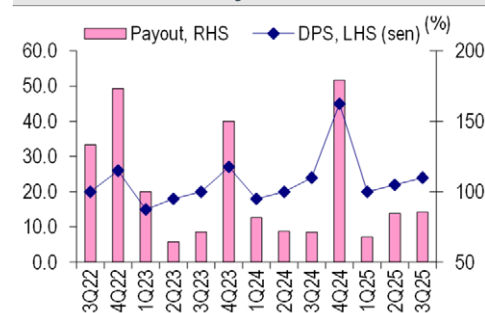
Valuation/Recommendation

- Maintain HOLD, target price: RM23.20.** This implies 2026F PE and dividend yield of 21x and 4.2% respectively. We believe PETD is well positioned to weather any uncertainties in the retargeting implementation. It has ample working capital to withstand another level of stress receivable.

Earnings Revision/Risk

- We retain our earnings forecasts, pending management's briefing today.**
- Risks:** Effects of accelerating electric vehicle (EV) adoption, carbon tax, and green fuels. The price differential between internal combustion engine (ICE) vehicles and EV, and the effectiveness of EV chargers relative to the available locations, are still the main hurdles towards nationwide EV adoption. Introduction of the carbon tax, widely assumed to be US\$5-10 per CO2 may introduce more uncertainties. We believe PetDag is embracing the potential acceleration of EV adoption via its early partnerships with two-wheeler EVs like Blueshark. We understand the JV has already started the assembly of the Blueshark Soloera model locally.

Dividends, Quarterly



Source: PETD, UOB Kay Hian

Products Demand, Growth Driver

- Surge in domestic transportation fuel demand
- Expansion of petrochemical downstream integration.
- Government incentives for bunker fuel and hub development
- Bio-refinery investments for SAF
- Strategic stockpiling policies enhances refinery utilisation
- Regional supply chain shifts due to shipping lane realignments

Source: Mordor Intelligence

Products Demand, Degrowth Drivers

- Accelerating EV adoption and fuel efficiency technology
- Carbon tax and removal of fuel subsidies
- Volatility in crude imports differential affecting refinery margins
- Tightening marine fuel sulphur regulations

Environmental, Social, Governance (ESG)

Environmental

- Green Energy for its fuel stations. Installing solar panels and collaborating with GreenTech to provide ChargeEV facilities.
- Promoting green fuel and circular economy. Early adopter of B100 Biodiesel fuel. Fuel stations are being used as collection platforms to collect Used Cooking Oil (UCO) as feedstock for Sustainable Aviation Fuel (SAF).

Social

- Supply chain. Support enterprises as station dealers or Kedai Mesra suppliers.
- Actively participate in Petronas social activities, for example supporting communities of the Putra Heights.

Governance

- 6 out of 10 board members are independent.

Source: PETD, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	38,269	38,740	40,746	43,415
EBITDA	1,846	2,031	2,094	2,179
Deprec. & amort.	487	524	550	576
EBIT	1,372	1,522	1,442	1,475
Total other non-operating income	(5)	(5)	(5)	(5)
Associate contributions	13	13	13	13
Net interest income/(expense)	(16)	(34)	(40)	(36)
Pre-tax profit	1,531	1,486	1,517	1,579
Tax	(394)	(372)	(379)	(353)
Minorities	(6)	(7)	(7)	(7)
Net profit	1,118	1,108	1,131	1,219

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	4,117	4,702	4,877	5,025
Other LT assets	64	7	7	7
Cash/ST investment	1,507	3,226	3,489	3,748
Other current assets	5,799	3,710	3,332	2,951
Total assets	11,487	11,646	11,705	11,731
ST debt	52	50	50	50
Other current liabilities	5,388	5,091	4,909	4,691
LT debt	100	375	484	593
Other LT liabilities	110	153	153	153
Shareholders' equity	5,768	5,885	6,008	6,137
Minority interest	68	74	80	86

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	(87)	3,103	1,702	1,744
Pre-tax profit	1,353	1,497	1,410	1,436
Tax	365	374	353	359
Other operating cashflows	463	502	529	556
Investing	(5)	-5	-5	-5
Capex (growth)	(1,275)	1,614	140	106
Others	(988)	(644)	(676)	(708)
Financing	(310)	(493)	(493)	(493)
Others/interest paid	(467)	(530)	(530)	(530)
Net cash inflow (outflow)	(14)	(14)	(14)	(14)
Beginning cash & cash equivalent	119	0	0	0
Ending cash & cash equivalent	52	52	52	52

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	4.9	4.9	4.8	4.8
Pre-tax margin	3.6	3.5	3.5	3.5
Net margin	2.5	2.6	2.6	2.6
ROA	8.3	8.4	8.8	9.2
ROE	16.4	16.7	17.2	17.6
Growth				
Turnover	2.2	0.1	5.1	5.1
EBITDA	15.6	0.1	3.4	5.2
Pre-tax profit	19.2	(3.3)	4.7	4.8
Net profit	21.5	3.5	4.7	4.8
Net profit (adj.)	30.5	(0.7)	4.7	4.8
EPS	30.5	(0.7)	4.7	4.8
Leverage				
Debt to total capital	2.5	6.7	8.1	9.4
Debt to equity	2.6	7.2	8.9	10.5
Net debt/(cash) to equity	(23.5)	(47.3)	(48.8)	(50.2)
Interest cover (x)	126.0	88.6	70.2	59.6

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